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CanCorp

**DOMINION-SCOTTISH INVESTMENTS
LIMITED**

**Report for the Six Months
Ended June 30, 1975
(unaudited)**

**1018 Sun Life Building,
Dominion Square,
Montreal, Quebec H3B 2W8**

File

DOMINION-SCOTTISH INVESTMENTS LIMITED *Montreal*

CONDENSED STATEMENT OF INCOME

For the six months ended June 30 (unaudited)

	1975	1974
Income before income taxes	\$ <u>177,770</u>	\$ <u>154,415</u>
Provision for income taxes	<u>25,108</u>	<u>19,433</u>
Net income for the period	\$ <u>152,662</u>	\$ <u>134,982</u>
Net income per share —		
Preference	\$2.54	\$2.25
Common	<u>0.11</u>	<u>0.08</u>

STATEMENT OF CHANGES IN NET ASSETS

For the six months ended June 30 (unaudited)

	1975	1974
Net assets at beginning of period	\$13,460,048	\$18,873,333
Add:		
Net income for the period	152,662	134,982
Increase (decrease) in unrealized appreciation of investments	<u>5,619,623</u>	<u>(4,057,717)</u>
	<u>5,772,285</u>	<u>(3,922,735)</u>
Deduct:		
Net loss on investments sold	589,956	148,248
Dividends on preference shares —		
Paid February 28	\$37,500	
Paid May 31	37,500	
Payable August 31	<u>37,500</u>	<u>112,500</u>
	<u>702,456</u>	<u>260,748</u>
Net increase (decrease) for period	<u>5,069,829</u>	<u>(4,183,483)</u>
Net assets at end of period	<u>\$18,529,877</u>	<u>\$14,689,850</u>
Net asset values per share —		
Preference	\$308.83	\$244.83
Common	<u>21.60</u>	<u>16.21</u>

Clifford L. Larock,
Chairman

July 30, 1975

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**DOMINION-SCOTTISH INVESTMENTS
LIMITED**



Forty-Seventh
ANNUAL REPORT
December 31, 1975

DOMINION-SCOTTISH INVESTMENTS LIMITED

(Incorporated under the Canada Corporations Act)

OFFICERS

Clifford L. Larock, F.C.I.S.
Chairman

Neil B. Ivory
Deputy Chairman

Richard Haller
Secretary-Treasurer

Cyril F. Reid
Assistant Secretary-Treasurer

MANAGERS

Pembroke Management Ltd.
Montreal, Quebec

PREFERENCE SHARES LISTED

Toronto Stock Exchange

AUDITORS

Touche Ross & Co.,
Chartered Accountants,
Montreal, Quebec

TRANSFER AGENT AND REGISTRAR

The Royal Trust Company, Toronto

HEAD OFFICE

1018 Sun Life Building,
Dominion Square,
Montreal, Quebec
H3B 2W8

DIRECTORS

George A. Fierheller
President, Systems Dimensions Limited
Ottawa, Ontario

James G. S. Gammell, M.B.E., C.A.
Chairman, Ivory & Sime Limited
Edinburgh, Scotland

R. A. Hammond-Chambers
Director, Ivory & Sime Limited
Edinburgh, Scotland

Neil B. Ivory
President, Pembroke Management Ltd.
Montreal, Quebec

John S. Lane, C.F.A.
Financial Vice-President, Securities, Sun Life
Assurance Company of Canada
Montreal, Quebec

Clifford L. Larock, F.C.I.S.
Chairman, Pembroke Management Ltd.
Montreal, Quebec

Donald B. McCaskill
President and Chairman of the Executive
Committee, Connlab Holdings Limited
and Connaught Laboratories Ltd.
Toronto, Ontario

A. Deane Nesbitt, O.B.E., D.F.C.
President and Chief Executive Officer,
Nesbitt, Thomson and Company, Limited
Montreal, Quebec

Douglas W. Parkin, M.A., F.I.A.
Senior Vice-President for Canada, Finance,
The Prudential Assurance Company Limited
Montreal, Quebec

DOMINION-SCOTTISH INVESTMENTS LIMITED

DIRECTORS' REPORT TO THE SHAREHOLDERS

NET ASSET VALUE

At 31st December, 1975, net asset value per preference share amounted to \$294.

Net asset value per common share rose from \$14.46 at 31st December, 1974, to \$20.31 at the end of 1975, an increase of 40.5%. During the year the Toronto Stock Exchange Industrial Index increased 9.9% and the Standard & Poor Composite Stock Index was up 31.6%.

INCOME AND DIVIDENDS

In 1975 net income available for payment of dividends on the 60,000 preference shares outstanding amounted to \$396,338 which is 2.6 times the annual preference dividend requirement of \$150,000.

Net income available for the common shares in 1975 was equivalent to \$0.35 per share.

A dividend of \$0.25 per share was paid on the common shares in 1975, this dividend rate being the same as that paid in the previous year.

OUTLOOK FOR 1976

Economic and financial prospects in the U.S. appear decidedly favourable for the year ahead, with real gross national product expected to rise approximately 5%, inflation moderating to between 6 and 7% and long term interest rates easing slightly. Corporate profits are projected to rise about 20%. Given the reasonable valuation of common stocks, together with the expectation of a continuing accommodative monetary policy, prospects for further stock market gains appear good.

The Canadian economic and financial outlook is less favourable. The domestic economy has only just begun to adjust to the wage-price control problem while investors have yet to see peak levels of unemployment and government borrowing. The recent inferior performance of the Canadian stock market relative to that of the U.S. suggests that this outlook is at least partially discounted. While it is difficult to assess the impact of the Anti-Inflation Program on corporate earnings, the trend of stock prices should be higher throughout 1976, influenced principally by a stronger U.S. market.

In view of these expectations, a fully invested position appears appropriate with particular emphasis on selected U.S. equities.

ANNUAL MEETING

The Annual General Meeting of Shareholders of the Company will be held on Monday, 12th April, 1976, at the Head Office of the Company.

On behalf of the Board,

Clifford L. Larock,
Chairman.

Montreal, Quebec,
30th January, 1976.

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF FINANCIAL POSITION

as at 31st December, 1975

	1975	1974
INVESTMENTS AT MARKET VALUE (cost 1975—\$15,713,726; 1974—\$15,706,109)	<u>\$16,800,131</u>	<u>\$13,114,647</u>
CURRENT ASSETS:		
Cash and short term deposits	755,224	131,198
Accrued income on investments	69,626	125,055
Income taxes recoverable	108,897	117,680
	<u>933,747</u>	<u>373,933</u>
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	75,937	28,532
Income taxes payable	20,910	—
	<u>96,847</u>	<u>28,532</u>
NET CURRENT ASSETS	<u>836,900</u>	<u>345,401</u>
SHAREHOLDERS' EQUITY (note 4)	<u>\$17,637,031</u>	<u>\$13,460,048</u>
REPRESENTED BY:		
CAPITAL STOCK:		
5% cumulative redeemable (at \$52.50) preference shares of \$50 each Authorized — 76,730 shares Issued — 60,000 shares	<u>\$ 3,000,000</u>	<u>\$ 3,000,000</u>
Common shares of no par value Authorized — 1,200,000 shares Issued — 713,224 shares	<u>2,979,493</u>	<u>2,979,493</u>
	5,979,493	5,979,493
RETAINED EARNINGS	465,110	397,078
SURPLUS FROM CHANGES IN INVESTMENTS (note 2) ...	10,106,023	9,674,939
UNREALIZED APPRECIATION (DEPRECIATION) OF INVESTMENTS	<u>1,086,405</u>	<u>(2,591,462)</u>
	<u>\$17,637,031</u>	<u>\$13,460,048</u>

On behalf of the Board:

C. L. LAROCK, Director
NEIL B. IVORY, Director

DOMINION-SCOTTISH INVESTMENTS LIMITED

STATEMENT OF INCOME AND RETAINED EARNINGS

for the Year Ended
31st December, 1975

	1975	1974
INCOME FROM INVESTMENTS	<u>\$598,661</u>	<u>\$538,789</u>
Management expenses	82,245	68,939
Other expenses	16,696	15,923
Interest	73	526
	<u>99,014</u>	<u>85,388</u>
	499,647	453,401
Income and withholding taxes	<u>103,309</u>	<u>52,935</u>
NET INCOME	<u>396,338</u>	<u>400,466</u>
Retained earnings at beginning of year	<u>397,078</u>	<u>324,918</u>
	<u>793,416</u>	<u>725,384</u>
Dividends		
5% Preference shares	150,000	150,000
Common shares	178,306	178,306
	<u>328,306</u>	<u>328,306</u>
RETAINED EARNINGS AT END OF YEAR	<u>\$465,110</u>	<u>\$397,078</u>
Net income per Common share	<u>\$0.35</u>	<u>\$0.35</u>

AUDITORS' REPORT

To the Shareholders,
Dominion-Scottish
Investments Limited

We have examined the statement of financial position of Dominion-Scottish Investments Limited as at 31st December, 1975 and the statement of income and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at 31st December, 1975 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche Ross & Co.
Chartered Accountants.

Montreal, Que.
27th January, 1976.

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

31st December, 1975

Note 1. Accounting Policies and Presentation

a) General

The Company follows generally accepted accounting principles in the preparation of its financial statements and their application is consistent with that of the previous year.

b) Foreign Currencies

Transactions in foreign currencies during the year were recorded at the relative rates of exchange applicable on the dates of such transactions. Amounts in foreign currencies included in assets and liabilities are shown in Canadian funds, converted at rates of exchange applicable at the year end, any adjustment thereon being credited or charged, as the case may be, to "Surplus from Changes in Investments".

c) Statement of Changes in Financial Position

A statement of changes in financial position has been omitted since it is deemed inappropriate for an investment company. A statement of changes in shareholders' equity (Note 4) has been substituted therefor.

Note 2. Surplus from Changes in Investments

	1975	1974
Balance at beginning of year	<u>\$ 9,674,939</u>	<u>\$10,261,085</u>
Gain (loss) from changes in investments (including gain on exchange, 1975—\$14,465; 1974—loss of \$33,093)	<u>431,084</u>	<u>(693,700)</u>
Income taxes on changes in investments	<u>—</u>	<u>107,554</u>
	<u>431,084</u>	<u>(586,146)</u>
Balance at end of year	<u>\$10,106,023</u>	<u>\$ 9,674,939</u>

Note 3. Income Taxes

As at 31st December, 1975, the Company had a net capital loss of approximately \$155,000 which may be carried forward for tax purposes.

DOMINION-SCOTTISH INVESTMENTS LIMITED

NOTES TO FINANCIAL STATEMENTS

31st December, 1975
(Continued)

Note 4. Changes in Shareholders' Equity

	1975	1974
Shareholders' equity at beginning of year	<u>\$13,460,048</u>	<u>\$18,873,333</u>
Add:		
Net income for the year	396,338	400,466
Gain (loss) from changes in investments (proceeds 1975—\$6,549,834; 1974—\$4,294,859)	431,084	(693,700)
Increase (decrease) in unrealized appreciation of investments	3,677,867	(4,899,299)
Income taxes on changes in investments	—	107,554
	<u>4,505,289</u>	<u>(5,084,979)</u>
Deduct:		
Dividends		
5% Preference shares	150,000	150,000
Common shares	178,306	178,306
	<u>328,306</u>	<u>328,306</u>
Net increase (decrease) for the year	<u>4,176,983</u>	<u>(5,413,285)</u>
Shareholders' equity at end of year	<u>\$17,637,031</u>	<u>\$13,460,048</u>

Note 5. Directors and Officers

The Board of Directors consists of nine members (1974 eight), whose aggregate remuneration amounted to \$13,872 (1974—\$8,939). The Company has four Officers, two of whom are also Directors. The Officers of the Company received no remuneration.

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 31st December, 1975

CONSUMER PRODUCTS

	Number of Shares	Market Value
Dominion Dairies Limited	64,000	\$ 960,000
Jerrico, Inc.	20,000	698,877
Rival Manufacturing Company	25,000	517,855
Scott's Restaurants Co. Limited	100,000	713,000
		<u>\$ 2,889,732</u>

ENERGY

Pennzoil Louisiana and Texas Offshore, Inc., Class "B"	125,000	\$ 603,488
Pennzoil Offshore Gas Operators, Inc., Class "B"	50,000	559,020
Standard Oil Company, The, Ohio	15,000	1,046,333
Williams Companies	40,000	1,042,013
		<u>\$ 3,250,854</u>

FINANCE

H & R Block, Inc.	30,000	\$ 499,459
Lomas & Nettleton Financial Corporation	60,000	396,396
		<u>\$ 895,855</u>

HEALTH CARE

National Medical Care, Inc.	50,000	<u>\$ 775,004</u>
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MANUFACTURING

Atco Industries Ltd.	50,000	\$ 612,500
Emco Limited	49,800	361,050
Ivaco Industries Ltd.	60,000	495,000
Shaw Industries, Inc.	20,000	152,460
Toromont Industries Ltd.	465,000	1,023,000
		<u>\$ 2,644,010</u>

METALS AND MINING

Lornex Mining Corporation Ltd.	40,000	\$ 330,000
Yukon Consolidated Gold Corporation Limited, The ...	264,000	285,120
		<u>\$ 615,120</u>

DOMINION-SCOTTISH INVESTMENTS LIMITED

INVESTMENT PORTFOLIO

as at 31st December, 1975

(Continued)

REAL ESTATE AND HOTELS

	Number of shares	Market Value
Commonwealth Holiday Inns of Canada Limited	100,000	\$ 275,000
Fairview Corporation of Canada Limited, The	25,000	247,000
General Growth Properties, S.B.I.	50,000	794,317
Headway Corporation Limited	76,500	179,775
Orlando Corporation	130,000	1,267,500
Sifton Properties Limited	52,200	300,150
		<u>\$ 3,063,742</u>

RETAILING

Hart Schaffner & Marx	50,000	\$ 444,675
Mervyn's	20,000	711,480
Peoples Department Stores Ltd.	85,000	272,000
Tonecraft Limited	125,000	487,500
		<u>\$ 1,915,655</u>

MISCELLANEOUS

GBC Capital Ltd.	33,000	\$ 173,250
UAL, Inc.	20,000	576,909
		<u>\$ 750,159</u>

TOTAL VALUE OF INVESTMENT PORTFOLIO		<u>\$16,800,131</u>
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DOMINION-SCOTTISH INVESTMENTS LIMITED

TEN-YEAR FINANCIAL SUMMARY

Year Ended Dec. 31	Gross Income \$	Interest Expense \$	Other Expenses \$	Income Taxes \$	Net Income \$	Total Net Assets \$	Funded Debt and Preference Shares (1) \$	Available for Common Shares (1) \$	Asset Value per Common Share \$
1966	637,736	81,055	50,328	22,000	484,353	15,625,561	5,150,000	10,475,561	14.69
1967	629,557	80,747	50,356	23,000	475,454	17,438,583	5,150,000	12,288,583	17.23
1968	545,571	83,456	64,254	33,000	364,861	21,496,005	5,150,000	16,346,005	22.92
1969	503,543	106,119	91,190	32,000	274,234	17,182,778	3,150,000	14,032,778	19.68
1970	399,872	22,368	67,751	26,500	283,253	13,757,859	3,150,000	10,607,859	14.87
1971	433,850	1,757	96,776	32,000	303,317	15,836,452	3,150,000	12,686,452	17.79
1972	459,778	21,747	112,305	146,494	329,669	23,095,670	3,150,000	19,945,670	27.97
1973	421,730	18,845	122,437	125,884	290,452	18,873,333	3,150,000	15,723,333	22.05
1974	538,789	526	84,862	(54,619)	400,466	13,460,048	3,150,000	10,310,048	14.46
1975	598,661	73	98,941	103,309	396,338	17,637,031	3,150,000	14,487,031	20.31

(1) Preference shares at redemption price of \$52.50.

